

AT A SPECIAL MEETING OF THE BOARD OF SUPERVISORS OF MONTGOMERY COUNTY, VIRGINIA HELD ON THE 19TH DAY OF MARCH, 2013 AT 6:00 P.M. IN THE SECOND FLOOR MULTI-PURPOSE ROOM AT THE MONTGOMERY COUNTY GOVERNMENT CENTER, 755 ROANOKE STREET, CHRISTIANSBURG, VIRGINIA:

Present:	James D. Politis	-Chair
	William H. Brown	-Vice Chair
	Mary W. Biggs	-Supervisors
	Annette S. Perkins	
	Gary D. Creed	
	Christopher A. Tuck	
	Matthew Gabriele	
	F. Craig Meadows	-County Administrator
	L. Carol Edmonds	-Deputy County Administrator
	Martin M. McMahon	-County Attorney
	Angie Hill	-Director of Financial and Management Services
	Karen Edmonds	-Director of Human Resources
	Ruth Rickey	-Public Information Officer
	Marc Magruder	-Budget Manager
	Judy W. Kiser	-Assistant to the County Administrator

CALL TO ORDER

The Chair called the meeting to order.

INTO WORK SESSION

On a motion by Mary W. Biggs, seconded by William H. Brown and carried unanimously,

BE IT RESOLVED, The Board of Supervisors hereby enters into Work Session for the purpose of discussing the following:

1. Health Insurance
 - Fully Insured vs. Self Insured
 - Anthem vs. Other Carriers
 - 12 month contract vs. 15 month contract

The vote on the foregoing motion was as follows:

AYE

Mary W. Biggs
Annette S. Perkins
Matthew Gabriele
Gary D. Creed
William H. Brown
Christopher A. Tuck
James D. Politis

NAY

None

The County Administrator introduced Tom MacKay of KSPH, who summarized Anthem's fully-insured and self-insured proposals with the following power point presentation:

Montgomery County

Medical Plan Effective 7/1/13

Summary of Anthem Fully-insured and Self-insured Proposals

Presented March 19, 2013

Tom Mackay
KSPH, A Marsh & McLennan Agency LLC
(804) 200-6751
tmackay@ksphe.com



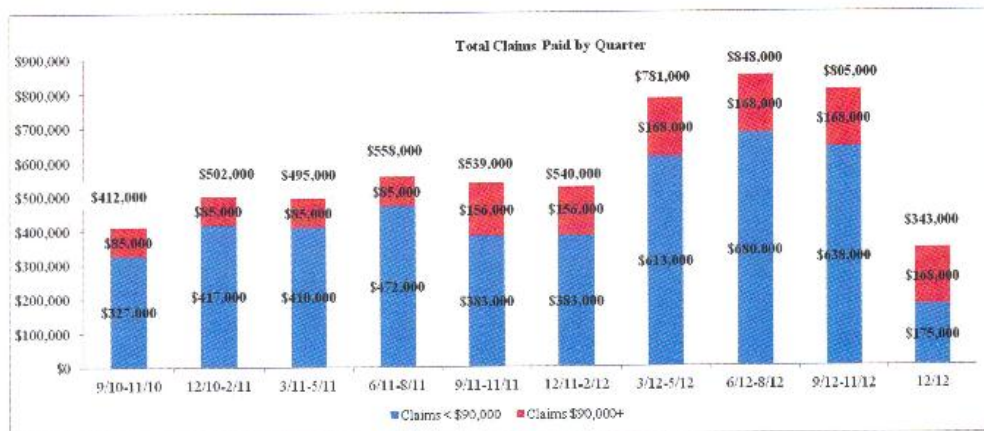
Background

- ▶ RFP released to market for 7/1/13 effective date, and stand alone from the New River Valley Consortium (NRVC).
- ▶ RFP included claims through August 2012, updated claims through January 2013 increased 9.2%

Background

- ▶ The County's health clinic was established in January 2007.
- ▶ The County's health insurance rates increased a total of 17% from FY 07 – FY 13, an average annual increase of less than 3%.

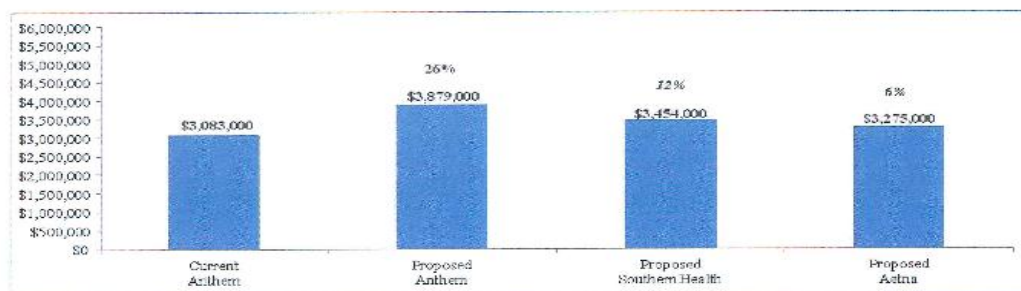
Claims History



Claims above are rounded to nearest thousand. Claims have run at an unusually high level for the past three quarters. Two of the largest claims are deceased, therefore, there is a good chance claims will improve.

Summary of Fully-insured Proposals Estimated Total Annual Costs

Costs shown are total costs, including employee and employer costs and costs of the Public Service Authority.



Summary of Anthem Proposals

Estimated Annual Costs



Self-insured proposals are based on updated claims through 1/13. Fully-insured proposal is based on claims through 8/12. Self-insured costs are based on KSPH's claim projections. Actual claims will vary based on a number of factors, including dropping large claims. The maximum liability of 115% of expected claims set by Anthem is \$4,182,000.



Fully-insured versus Self-insured Funding Arrangements

- ▶ Funding the medical plan on a self-insured basis takes advantage of retaining claims surplus in years the claims are below the insurance company's projected level.
- ▶ More employers the size of Montgomery County are self-insuring medical plans to retain possible surpluses. Montgomery County has self funded the dental plan for many years and has enjoyed stable rates as a result of available surplus.
- ▶ Under the new Health Care Reform legislation, fully-insured plans will be assessed higher premium taxes and fees. Self-insured plans will avoid some of these taxes and fees, which is a significant advantage.
- ▶ Under a self-insured arrangement, an insurance carrier could provide the claims administration, network access, stop loss and administration of the plan ("bundled approach"). Employees will not experience any difference in the medical plan under a self-funded approach.

Self-insured Plan Cost Components

A self-insured plan breaks down the components of a fully-insured premium and enal Montgomery County to contract for each component separately.

- ▶ **Administrative and provider network fees**

- The amount an employer pays each month for claims administration, and to access an insurance carrier's provider network and claim discounts.

- ▶ **Stop-loss costs**

- Individual stop loss – limit per person per year, i.e., \$90,000
- Aggregate stop loss – limit on total claims per year, i.e., 115% of expected claims.

- ▶ **Claims**

- Whatever amounts not used is retained by the employer – not the insurance company
- Employer can pay higher costs, if claims experience is not favorable.

- ▶ **Reserves**

- Employer holds the reserves until termination. This money stays in the employer's general account earning interest for the employer, not the insurance company. It must be carried on your books as a liability.

Fully-insured and Self-insured Outline

Fully-insured

- Insurance carrier takes all the risk and retains all surplus and deficits.
- Fixed monthly budgetable expenses
- Higher administrative expenses due to carrier's risk factors and claims margin
- Less flexibility
- Carrier holds incurred but not reported claim reserves
- Carrier has the HIPAA responsibilities
- Carrier has final fiduciary responsibility in the event of a lawsuit

Fully-insured and Self-insured Outline

Self-insured

- Claims expense liability assumed by employer. Save money in years the claims experience is favorable, but can be higher in years the claims are above expected levels.
- Lower administrative expenses
- Ability to hold incurred but not reported claim reserve
- Fluctuation in monthly cash flow
- Greater flexibility (e.g., able to have a separate prescription vendor)
- Access to more data from claims administrator with more options for contracting with case management and independent wellness vendors.
- Employer has fiduciary liability in the event of a lawsuit by participants.
- Expected to have a 3% to 5% avoidance in premium taxes, once all the Healthcare Reform taxes are fully implemented in 2014.

Self-insurance Considerations

Three issues an employer needs to be prepared for in a self-insured plan are as follows:

1. Montgomery County will be responsible for all claims up to the aggregate stop loss amount, and will have to have funds available to fund these claims, which **could** cost more than if the plan was fully-insured. The County should establish a contingency reserve in the event of unfavorable claims experience, where claims costs came in above budgeted amounts.
2. Under a self-insured plan, there are additional HIPAA responsibilities and liability. A self-insured employer should have a HIPAA privacy and security policy for protected health information of the plan.
3. A self-insured employer has final fiduciary liability in the event of a lawsuit against the plan. Under a fully-insured plan, the insurance carrier has fiduciary liability. Montgomery County will update its general liability policy to cover this risk.

There was consensus by the Board that staff move forward with self-insurance and negotiate with Anthem for a 15 month contract for health insurance. At the end of the 15 month contract, the county's contract will sync up with the schools, to end on September 30th. This will be helpful if the county and the schools merge their health insurance in the future.

Supervisor Gary Creed left the meeting at 7:00 p.m.

OUT OF WORK SESSION

On a motion by Mary W. Biggs, seconded by William H. Brown and carried unanimously,

BE IT RESOLVED, The Board of Supervisors ends their Work Session to return to Regular Session.

The vote was as follows:

<u>AYE</u>	<u>NAY</u>	<u>ABSENT DURING VOTE</u>
Mary W. Biggs	None	Gary D. Creed
William H. Brown		
Annette S. Perkins		
Christopher A. Tuck		
Matthew Gabriele		
James D. Politis		

OTHER BUSINESS

Fees for Service There was discussion about how the rescue squad volunteers felt about the Town of Christiansburg's decision to establish fees for service. Supervisor Bill Brown, a member of the Fire and Rescue Commission, explained that each individual rescue squad captain addressed the fees for service as it applied to their individual rescue squad, and voiced no opposition to Christiansburg's decision to establish fees for service.

At the next Fire and Rescue Commission meeting the County Administrator will address the misconceptions some of the volunteers have that this would affect their benefits.

Old Blacksburg Middle School Property There was discussion by the Board concerning the developer's application and development plans for rezoning the OBMS property. The developers are expected to submit their rezoning request to the Town of Blacksburg by the end of this week.

Supervisor Chris Tuck left the meeting at 8:05 p.m.

Following a lengthy discussion, there was consensus that when the application is submitted, Board members (two at a time) can review the developer's plan. The County will then notify the Town of Blacksburg that the County is preparing a news release about the plan that will notify the public that the developer will make a presentation to the Board of Supervisors at a special called meeting on April 1, 2013 at 6:00 p.m. The public will be invited to attend, as well as members of the School Board, Town Council, etc. The news release will specify that the goal of the Board of Supervisors is that the revenue will come back to the schools for school capital projects.

ADJOURNMENT

On a motion by Matthew Gabriele, seconded by William H. Brown and carried unanimously, the Board adjourned to March 25, 2013.

The vote on the foregoing motion was as follows:

<u>AYE</u>	<u>NAY</u>	<u>ABSENT DURING VOTE</u>
Matthew Gabriele	None	Gary D. Creed
William H. Brown		Christopher A. Tuck
Mary W. Biggs		
Annette S. Perkins		
James D. Politis		

The meeting adjourned at 8:40 p.m.

APPROVED: _____
James D. Politis, Chair
Board of Supervisors

ATTEST: _____
F. Craig Meadows
County Administrator